

Attachment 6C: Journal Voucher Category Identification Codes and Metric Reporting

The DoD Financial Management Regulation (FMR), Volume 6A, Chapter 2, paragraph 020208 established the guidance for reporting of journal vouchers by category. This chapter is currently under revision and should be published for FY 2005 year-end reporting.

Appropriate categories are to be selected based upon category selections in DDRS. The categories in the revised FMR will be brought into agreement with the DDRS categories. The 10 categories to be utilized are (a) Reversing Entries for Prior Period Reporting; (b) Data Call Entry; (c) Balancing Entries for Elimination; (d) Recognition of Undistributed Disbursements and Collections; (e) Reconciliation of Trial Balance and Budget Execution Reports; (f) Supply Management Inventory; (g) Reclassification of Accounts; (h) Identified Errors and Reasonableness Checks; (i) Adjustment to Balance Reports Internally; and (j) Other Accruals.

Action Required

Internal controls are to be incorporated to ensure the proper and complete recording of journal vouchers. This is a requirement included in the DoDFMR Volume 6A, Chapter 2, paragraph 020208.

The DoD OIG Report No. D-2000-091, "Internal Controls and Compliance with Laws and Regulations for the DoD Agency-Wide Financial Statements for FY 1999," February 25, 2000, reported that \$2.3 trillion in accounting entries were not supported by an adequate audit trail for the FY 1999 DoD Agency-Wide Financial Statements. In response to this audit finding, a quarterly metric was established. All accounting centers are to report this metric in accordance with the following guidance:

Accounting Adjustments Metric

What does this metric report?

For this metric you are to report the dollar value and quantity of accounting adjustments made to source data in preparation of financial reports. The source data consists of the field level data. All journal vouchers (JVs) made in preparation of the monthly, quarterly and annual reports will be counted for this metric. Therefore, any adjustments made in any reporting systems (CLRS, GAFS-R, DDRS, CEFMS, etc.) or through offline manual processes in report preparation, following receipt of field level source data, are to be counted as either supported or unsupported and reported by category. Any changes made to the source transaction data received by the accounting center through the final transaction data as reported in the financial reports should be counted.

Journal entries will be counted only one time. If the same transaction is entered more than once (for instance same transaction is reported in the monthly report, and repeated in preparation of the quarterly or annual reports) the transaction is to be counted only one time for the cumulative year-to-date transaction amount. For example: If you post an adjustment in quarter 1, and you post the same adjustment in quarter 2, but for a new cumulative year-to-date amount, count only the quarter 2 entry. If you post an adjustment in quarter 1, and you post the same adjustment in quarter 2, but for only the incremental quarter 2 amount (i.e. the quarter 1 amount carried forward), then report both entries.

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Who Reports this Metric?

Accounting service providers for all Office of Management and Budget and DoD-designated stand-alone reporting entities, and the Other Defense Agencies General Funds must report this metric. This includes the DFAS accounting sites, the US Army Corps of Engineers Finance Center and each reporting entity who prepares their own financial statements. Individuals responsible for preparing quarterly financial reports will compile data from all sources and submit one report for each required entity.

When is this Metric Reported?

Quarterly following completion of financial statements.

Definition of Supported Entries:

The determination that an entry is supported relies on your ability to provide underlying detail transaction level documentation (either hardcopy or soft) in support of the JV amount. Where it is not practical to attach supporting documentation, JV explanations must provide specific and detailed information summarizing the content of the JV, and identifying the location of the supporting documentation, including name and contact information for individuals providing the information, or the specific location within the Data Collection Module (DCM) where amounts used in the JV can be quickly located by an auditor.

Reporting of Material Weaknesses:

While it is understood that, due to system or process problems, many of the balances and/or data call information we use in report preparation might not pass audit scrutiny, this metric considers only the accounting adjustments made at the accounting centers from the receipt of source trial balance through the preparation of the financial statements. This metric does not assess supportability of underlying data before receipt of the trial balances at the accounting centers.

Assumptions:

- All accounting adjustments will be including monthly, quarterly, and annual adjustments.
- Amounts reported will represent cumulative year-to-date JV totals.
- **Absolute** value of only **one side** (either debit or credit) of accounting adjustments will be reported. Do not count absolute value of both debits and credits together. If for some reason a JV is posted with differing debit/credit totals (one-sided or lop-sided JV) count only the side yielding the largest (absolute) total.
- Total value of all JVs will be reported as absolute value of only one side (either debit or credit – not both) of **all** JVs without regard for supportability. This amount will be further subdivided supported and unsupported amounts by JV category.
- Supported and unsupported amounts will be processed on separate JVs. If one adjustment will result in both supported and unsupported amounts, separate entries will be made. An example is the undistributed disbursements and collections adjustments.
- Where manual logs are maintained to track JV categories, separate logs will be maintained for each JV category to facilitate consolidation for JV metric reporting and audit purposes.

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- An accounting adjustment made to correct another accounting adjustment would generally be categorized as a correction of an error and would normally be supported. For example, if an amount was incorrectly recorded as 2213 when it should have been 2215. The JV to correct from 2213 to 2215 is a correction and is supported.
- While many DoD systems and processes result in trial balances and underlying data that likely cannot withstand audit scrutiny, for purposes of this metric, amounts received on trial balances will be considered supported. In addition amounts provided by data call from customers (including amounts in the DCM), are assumed to be supported by documentation maintained by the customer providing the data call information, however in order to be counted as supported, the JV must sufficiently describe the location of the underlying support (Name and contact info for person providing the information, or for info from the DCM, specific location within the DCM must be clearly identified so an auditor could easily trace to the support within the DCM.)
- All entries made by Departmental Accounting in preparation of the Departmental reports are to be counted, but only once. Therefore, if Departmental adjusts to Treasury balances monthly, but the adjustments do not carry-forward and thus some of the same amounts are included in similar entries in later months, count only the latest such entry. If entries are carried forward, and only incremental amounts are recognized, then entries from all months (or quarters) must be counted.

Examples of material adjustments that may not be supported:

- Entries made to create budgetary (or proprietary) balances, or to reconcile accounts or reports internally (sometimes referred to as “edit adjustments”). While auditors recognize the need to force budgetary and/or proprietary balances or to balance accounts internally to generate reports and meet requirements, this does not mean the entries are supported. If budgetary (or proprietary) balances are “backed-into,” these amounts will generally be considered unsupported unless details reside somewhere to support the balances. An example of a supported entry might be budgetary accounts receivable created by matching proprietary accounts receivable, as details should be available (subsidiary A/R ledger) to support this entry. If accounts are not a one-for-one crosswalk, or if residual balances remain, these entries are likely to be considered unsupported.
- Entries to post undistributed collections and disbursements. This should result in a two-part entry. One for the supported portion, which is to be counted as supported, and one for the unsupported portion, which is to be counted as unsupported. (Note that currently many are not reporting any unsupported entries in association with undistributed adjustments – if you report any unsupported balances in accounts 2120 or 2400, you should be categorizing them as an unsupported entry unless you have the details to support the amounts posted to these accounts – for example IPAC suspense amounts.)
- Entries to force buyer-side balances to agree with seller-side. These entries are generally unsupported.
- Entries (for which you lack detail transaction level support) to force the Statement of Financing (or any other statement) to balance within itself or with another report.

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- Any entry that is “backed-into” should be considered unsupported – thus differences that are “plugged” when backing into budgetary or proprietary trial balances are to be considered unsupported.
- Entries based upon allocations.
- Miscellaneous gains and losses posted to force balance accounts, statements or elimination entries.
- Entries made to force balance reconciliations within DDRS.

Examples of entries that would generally be considered supported:

- Adjustments made based upon buyer-side challenges. Waived buyers have support for amounts reported, however errors are sometimes made, or transactions may float which might cause differences. When challenged, buyers are to provide details supporting their reported balances, reconcile with sellers and make the appropriate adjustments. Generally speaking, the resulting entry should be supported.
- Entries based upon data calls, for which you have sufficiently identified the source of supporting documentation (i.e. name and contact information for person providing data call information, or specific location with the DCM).

Identification of JVs as Either Supported or Unsupported:

The last sentence within the description field of all JVs will identify whether the reporter of the JV would (by the criteria given above) consider the JV supported or unsupported. Statement will read: “By criteria used for reporting of the accounting entries metric, this journal voucher is considered (un)supported.”

JV Categories:

There are ten separate categories to which the JV could be assigned. Shown below are each of the categories with a brief explanation and some common JVs that should be assigned to that category, and how to determine whether the JVs are supported or unsupported. (Note that these categories may not coincide with categories currently published in the DoDFMR Volume 6A, Chapter 2. The DoDFMR is currently undergoing update, and categories in the DoDFMR will agree with the following.)

Category A – Reversing Entries for Prior Reporting Period

Summary: When monthly or yearly accruals or correcting entries have been made for reporting purposes, they may need to be reversed for the following reporting period.

Examples: Reversal of prior accruals for payroll, workers compensation and unfunded leave (there are others).

Supported/Unsupported: These transactions are supported.

Category B – Data Call Entry

Summary: JVs are prepared to record the source-entry information provided by data calls where the data is not recorded on a detailed transaction basis.

Examples: Contingent liabilities, environmental liabilities, capitalized assets, some personnel benefit data, there are more. (Note that some personnel benefits expenses and liabilities are recorded in the trial balances, but to wrong accounts and requires reclassification. These amounts are to be recognized under Category E entries. If amounts are accrued for items not

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included in the trial balance, and the entry is based upon a data call, it is reported in this category.)

Supported/Unsupported: If detail transaction level documentation exists to support the entry, or if a reasonable estimation methodology was used to derive the amount (contingent and environmental liabilities), it is supported.

Category C – Balancing Entries for Eliminations

Summary: During the report preparation process entries are necessary to balance buyer-side data with data provided by the sellers, or to adjust seller-side data with data provided by waived buyers. In some cases, it may be deemed appropriate to adjust accounts payables or advances and expenses to match seller records, or to adjust accounts receivable/revenues to match buyer records (if any of these accounts are considered to be misstated). In some cases, it may be deemed that accounts payable, advances, expenses, accounts receivable or revenues do exist, but are miscoded between federal and non-federal, and a reclassification between federal and non-federal balances is appropriate. In either case, the entries are to be counted as Category C entries.

Examples: Realignment of accounts from federal to public in relation to the elimination process; closing of net transfers in/out to Gain/Loss due to inability to reconcile with trading partners; posting of accruals to recognize accounts payable, advances, expenses, accounts receivable or revenues in order to match buyers or sellers for eliminations.

Supported/Unsupported: If detail transaction level documentation exists to support the entry it is supported. If not, it is unsupported. (Note: Adjustments made at the direction of sellers or waived buyers may be either supported or unsupported. To the entity directing the adjustment it should always be supported, but if the entity making the adjustment either cannot or does not validate the details, it may be unsupported. Waived entities sometimes also make adjustments when challenges are received, or conflicts arise with other waived entities. When this occurs, comparison of records should be made and valid adjustments processed. Any such adjustments by waived entities should always be supported, and should be reported in Category A as correction of an error.)

Category D – Recognition of Undistributed Disbursements and Collections

Summary: JVs in this category are entries made to account for the effects of undistributed disbursements and collections that need to be recognized in the accounting records and financial statements.

Examples: Any adjustment that is related to the Undistributed figures, excluding FBWT adjustment to component, which is recognized as Category E above.

Supported/Unsupported: If the entity has fully reconciled its FBWT at the detail transaction level (no unstabilized/unsupported transactions over 4 months), the transactions are considered supported. If FBWT has not been reconciled, a portion may be supported and a portion unsupported.

Category E – Reconciliation of Trial Balance and Budget Execution Reports

Summary: JVs in this category are often made to match trial balances or other source data reported by field accounting sites and/or accounting stations to the DoD Components' budget execution reports.

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Examples: Entries made to recognize funding in the Agency level reports where non-compliant systems are not capable of recording the funding entries; or entries made to bring trial balance amounts reported for appropriations and funds distribution into alignment with amounts as reported in Accounting Operating Budgets (AOB) and Program Budget Analysis System (PBAS).

Supported/Unsupported: If detail transaction level documentation exists to support the entry it is supported. If the correction is based upon estimates or high-level calculations (as adjustments made to bring amounts within reason without detailed support), they are unsupported.

Category F – Supply Management Inventory

Summary: JVs assigned to this category should be used to adjust inventory values for supply management activities.

Examples: All JVs related to Supply Management Inventory.

Supported/Unsupported: If entries are derived from calculations based upon actual inventory account balances and/or prior documented adjustments, they are supported. If entries are based purely upon estimates made using an unsupported estimation method, they are unsupported. It is suggested that auditor review of estimation methodology be requested to determine whether it is supported.

Category G – Reclassification of Accounts

Summary: JVs are assigned to this category when it is determined that the accounting systems are unable to provide data at the required level of detail for financial statement and footnote presentation.

Examples: The entries made to transfer FBWT to Component for working capital funds; reclassification from operating expenses to benefit expenses, or accounts payable to benefits payable or accrued payroll (where amounts are already accrued in the trial balances) to correct for non-compliant systems that erroneously report expenses in incorrect accounts. (Note that some reclassifications may be made based upon data call information, however this does not make the entry a data-call entry. If were already accrued in the trial balances, the entries to place amounts in correct accounts are reclassification entries.)

Supported/Unsupported: If detail transaction level documentation exists to support the entry it is supported. If not, it is unsupported.

Category H – Identified Errors and Reasonableness Checks.

Summary: When errors are identified through analysis, reasonableness checks, quality control procedures, or other means, a correcting JV shall be prepared.

Examples: Any correction of a JV that has already been approved.

Supported/Unsupported: If detail transaction level documentation exists to support the entry it is supported. If not, it is unsupported.

Category I – Adjustment to Balance Reports Internally

Summary: JVs in this category are created when the reconciliation of data supporting two different reports cannot be performed.

Examples: Adjustments made to force balance budgetary and proprietary data, to force balance a DDRS reconciliation, or to force balance any statement or statement line item with another statement or statement line item.

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Supported/Unsupported: If detail transaction level documentation exists to support the entry it is supported. If not, it is unsupported.

Category J – Other Accruals

Summary: A number of typical month-end and year-end adjusting entries are made, and subsequently may be reversed at the beginning of the next period. In addition, other accruals are made for expenses and accounts payable for the Mechanization of Contract Administration Services unpaid and paid liabilities, interfund, and /or payroll disbursements.

Examples: Accruals made to account for transactions not made within the trial balances due to timing of feeder systems or errors of omission. (Note that reversal of these entries in subsequent periods should be reported as Category F above.)

Supported/Unsupported: If detail transaction level documentation exists to support the entry, or if a reasonable estimation methodology was used to derive the amount (timing differences) it is supported. If not, it is unsupported.